

MEMORANDUM

TO: Interested Parties
FROM: Senator Tom Harkin (D-IA)
RE: **Analysis of the Effect of the House Budget Plan on Programs Serving Low-Income and Working Families**
DATE: March 30, 2012

On Thursday, March 29, the U.S. House of Representatives passed a budget for the upcoming year on a largely party line vote. The plan sharply reduces the federal government's investments in education and infrastructure – investments that are necessary to ensure our country remains competitive in the global economy and generates jobs in both the short and long term. It makes huge reductions in spending that are largely offset by completely extending the Bush 2001 and 2003 tax breaks, which were targeted towards the very wealthy. This budget proposal is an unprecedented assault on middle class Americans who are already struggling to make ends meet.

Nearly two-thirds of cuts in the budget plan come from programs for lower-income and working American families and children.

In the past, a fundamental principle of deficit reduction is that it be carried out in a way that spares the Americans of modest means whose economic security is already tenuous. In contrast, the House-passed proposal disproportionately cuts programs and services that are vital to Americans who are already struggling, while offering vast new tax breaks to the wealthiest Americans.

Below are some specific cuts that Iowa and the nation could face if the proposed House budget were to be enacted into law.

- **Supplemental Nutrition Assistance Program (SNAP).** The SNAP Program provides low-income families and their children with benefits for the purchase of a sufficient diet. Benefits are already modest. In Fiscal Year 2011, the average benefit in Iowa was 126 dollars per month, or \$1.40 per meal. The House-passed budget proposes cutting SNAP benefits by \$133.5 billion over 10 years, more than 17 percent, which would require either deep cuts in benefits or major changes to program eligibility.
 - **Estimated Impact on Iowa:** Based on the average Fiscal Year 2011 benefit of \$126 per month, a 17 percent reduction would reduce the average benefit by \$21 dollars per month. For an Iowan family with two parents and two children, this would reduce their total benefits by over \$1000 per year.
- **Unemployment Insurance.** With the onset of the Great Recession, Congress made sure that workers facing the worst job market in generations had a modest amount of income to support jobless workers and their families. Congress extended or created federal unemployment insurance programs (in addition to existing state programs) to provide up to 99 weeks of benefits in states with the highest unemployment. Hundreds of thousands of Iowans have benefited from these programs, and currently, Iowans are eligible for up to 60 weeks of benefits. By the end of this year, under current law, Iowans will have access to 40 weeks of benefits, including 14 weeks federally funded. Unfortunately, the House budget would end federal unemployment insurance programs in 2013.

- **Estimated Impact on Iowa:** Long-term unemployed Iowans would lose access to all federally-funded unemployment insurance benefits, or 14 weeks of benefits.
- **Medicaid.** The House proposal slashes \$1.7 trillion from health care services provided through Medicaid, including \$550 billion in health care for seniors and individuals with disabilities. The budget shifts these costs to states that are already facing difficult budget decisions. Analysis by Democratic Policy and Communications Committee of the U.S. Senate reveals these massive cuts would force 30 million vulnerable Americans off of Medicaid, reduce the scope of covered health services, lower reimbursement payments for health providers, and increase cost-sharing for beneficiaries.
- **Estimated Impact on Iowa.** Under the House budget, as many as **166,000** Iowa residents would be forced off Medicaid. More than half of Iowa's **442** certified nursing homes, which serve **25,200** seniors, rely on Medicaid as their primary payer. Under the House budget, these nursing homes would be forced to reduce services, turn away seniors, or close their doors

Today's greatest challenges are to create jobs, accelerate the recovery, and restore the middle class. That's what I hear from so many Iowans – and families all across the country know it, too. Their daily reality makes it clear that a slash-and-burn approach is not working.

The United States remains the wealthiest nation in history. The most dangerous deficit we face is not a deficit of dollars, but of vision – our failure to confront the economic challenges of our day with the boldness that earlier generations of Americans summoned in times of crisis.

Rather than a pessimistic budget, which says America can't afford to maintain and rebuild the middle class, I have an alternative vision for a better future. That is why this week I introduced the Rebuild America Act – an ambitious bill to modernize our nation's infrastructure, expand manufacturing, prepare our workers for jobs of the future, and strengthen the economic security of middle class families.

For my full statement on the Rebuild America Act and for more detail on the bill, go to <http://harkin.senate.gov/help/middleclass.cfm>.